

REPORT TO THE EXECUTIVE		Report No. 8
Date of Meeting	4 th October 2007	
Title of Report	Revenue Budget Monitor 2007-08 - Month 4 July	
Portfolio	Leader's Responsibilities	
Link to Corporate Priorities	All	
Key Decision	Yes	
Executive Workplan Ref	A20	
Public Report	Yes	

Summary of Report

The report sets out the Revenue budget monitor for Month 4 of the 2007-08 financial year, showing the financial position at the end of July 2007 and setting out the anticipated variations in income and expenditure that could affect the Council by the end of the financial year.

Officer Recommendations

- 1 That the Executive note the report forecasting an under spend of £97k.
- 2 That the Executive agree,
 - the budgetary response to the Unitary decision – Annex 9 – transferring the funding for schemes that will not proceed to a Transitional Fund, to meet the exceptional costs of change, should Unitary not proceed, the Executive will be invited to consider how the funds should be utilised;
 - the transfer of additional PDG income to meet, in part, the risk arising from Concessionary Fares (para 4.1) (in accordance with the principle approved from 30th August 2007 E51);
 - the actions to contain overspending areas (identified at M3).
- 3 That the Executive note the achievement of the Reorganisation saving (para 4.1).

Other than those implications agreed with the relevant Officers and referred to below, there are no other implications associated with this report.

Financial Implications	Legal Implications	Community & Environmental Implications	Human Resources Implications	Equality & Diversity Implications
Yes	Yes	Yes	Yes	None

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1. Introduction

- 1.1 Revenue budget monitors are produced to report on May (M2) to February (M11) of each financial year. They track progress against the agreed budget decisions, forecast any anticipated significant variances to the budget, and enable corrective action to be taken.
- 1.2 The main issues to bring out at M4 are, the effect of Unitary preparations, a further update on the reorganisation, and the deployment of the higher Planning Delivery Grant to minimise the risk of higher Concessionary Fares costs. There is more on this at 4.1, but first, Section 3 sets out the Month 4 position.

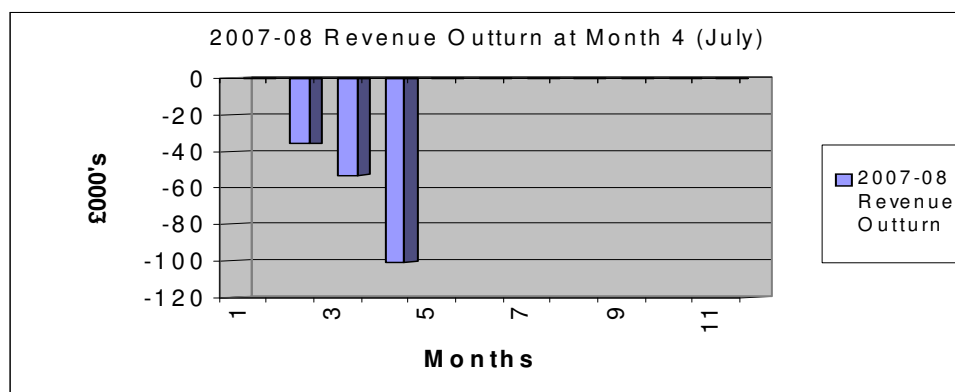
2. Options & Options Appraisal

- 2.1 Option 1: To agree the recommendations
- 2.2 Option 2: To not approve the recommendations. If this were the case, the Executive would need to offer alternative recommendations.

3. Background Information

- 3.1 **Overall position** - The projected Revenue forecast for the year, at Month 4, shows an under spend of £97k, up from last month's £48k under spend. Annex 1 gives a full analysis, which includes the addition of the £612k approved carry-forwards (from 2006-07) to the Original Budget, to produce the Revised Budget against which the expenditure is measured.

Exhibit 1 - Graph showing 2007-08 surplus/deficit, month by month, over the year



The 'variations' are classified Red (over £100k), Amber (over £50k), and Green (Under £50k). The main report will only comment on Red items, of which there were three. However, they were all favourable, being additional income or, in two cases, Directorate underspends. All the Red variances were only just over the £100k trigger. The following Table tracks the risk progress:

Exhibit 2 – Table tracking overall risk performance of RAG in Exhibits 3 & 4

	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11
Red – over £100k	0	1	3							
Amber - £50-99k	0	2	2							
Green – under £50k	16	13	11							

Exhibit 3 – Table showing 2007-08 over/underspend by “subjective & gross net” £000’s

Type of cost/income	Budget	Forecast for the year	Forecast Variance	Traffic Light
				R,A, G
Pay	14,059.0	13,999.9	-59.1	A
Premises	1,283.8	1,294.8	11.0	G
Transport	1,405.8	1,405.8	0.0	G
Supplies	5,600.5	5,637.4	36.9	G
Third Party	2,518.7	2,533.7	15.0	G
Transfer Payments	21,150.0	21,150.0	0.0	G
Controllable Expenditure	46,017.8	46,021.6	3.8	-
Capital Financing	4,131.3	4,131.3	0.0	G
Recharges	8,297.8	8,297.8	0.0	G
Gross Expenditure	58,446.9	58,450.7	3.8	-
Income	-28,744.0	-28,844.8	-100.8	R+
Recharges	-8,945.3	-8,945.3	0.0	G
Net Cost of Services	20,757.6	20,660.6	-97.0	-

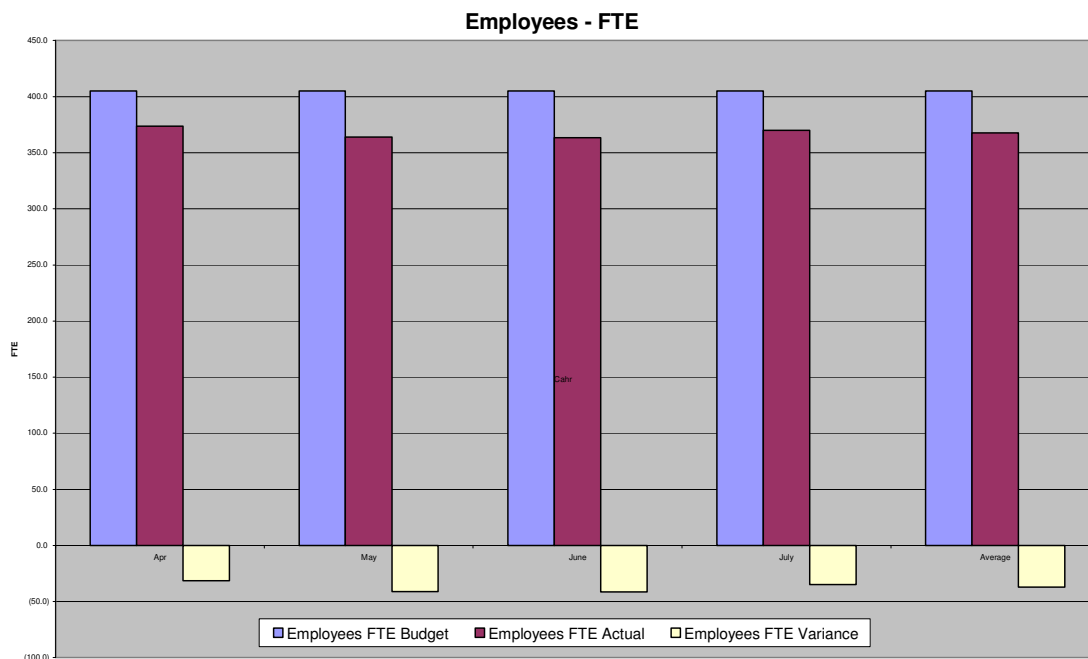
“R+” is a “favourable” Red

Exhibit 4 – Table showing 2007-08 over/underspend by Business Area £000’s

Business Area	Net Budget	Forecast for the year	Forecast Variance	Traffic Light
				R,A, G
Chief Executive	253.5	253.5	-	G
Community & Environment	8,869.2	8,768.0	- 101.2	R+
Cleansing & Amenities	4,315.8	4,358.0	42.2	G
Customer Services	2,513.0	2,528.9	15.9	G
Planning Services	1,771.0	1,646.1	- 124.9	R+
Corporate Services	3,035.1	3,106.1	71.0	A
Net Cost of Services	20,757.6	20,660.6	- 97.0	

The establishment started the year with 419.8 Full Time Equivalents (FTE's). This has since been reduced by 3 early retirements, to 416.8 FTE's. The 3rd tier recruitment has taken place, and the shape of the 4th tier is about to be implemented; the results will be reported in the next Monitor.

Exhibit 5 - Graph showing head count



3.1.1 Change in month. Analysis of monthly movement by subjective and Business Area from the previous month. The income is forecast to increase by £65k, £30k of which is from industrial premises rental. The expenditure forecast has increased by £17k, driven by increased car parking costs and the cost of an interim audit manager offsetting savings occurring from vacancies. This last overspend should be dealt with, next month, by a virement from the 'Unitary Fund' for meeting the exceptional costs arising from the 'transition'.

Exhibit 6 – Table showing monthly movement by subjective and gross/net £000's

	Note		
Month 3 Budget position			-48.3
Expenditure			
Less reduction in pay		-14.5	
Add increased costs		31.6	
Income			
Less increase in income		-65.8	
Add reduction in income			
Months change			-48.7
Month 4 reported position			-97.0

**Exhibit 7 – Table showing monthly movement by Business Area, July 2007
£000's**

	Note		
Month 3 Budget position			-48.3
Chief Executive			
Community & Environment		-85.1	
Cleansing & Amenities		21.2	
Customer Services		-1.8	
Planning Services		-15	
Corporate Services		32	
Months change			-48.7
Month 4 reported position			-97.0

3.2 Performance on increase in Council Tax properties compared to budget assumption

Exhibit 8 - Graph showing actual against expected growth in properties - Available M6 onwards

3.3 Write-offs (Council Tax, HB recovery, Other Income and NNDR). No write-offs have taken place this year, although a list totalling £154,617 for Council Tax is near to agreement. The Revenues report to the July 12th Executive noted that some £1.789m should be written off in 2007-08; Revenues are considering how this will be done. It was also agreed, in the same item agenda, to use funding of up to £100K from reserves for a Spend to Save programme on revenues to transform performance. This approach is not now going to be progressed, however Exec will receive a report at its Nov Meeting highlighting how achievements will be achieved.

Exhibit 9 – Table showing Write-Offs None so far

4. Special circumstances (and Quarterly items)

4.1 The following are the special events, both recent and forthcoming, that have, or will affect the outturn:

- The Government announced on July 25th that Wiltshire was to become a Unitary authority. There will be a re-appraisal of plans, and change of focus. There is more detail set out at Annex 9, which also identifies four areas of spend that need not proceed. A recommendation addresses this.
- The restructure was budgeted to produce a saving of £250k in 2007-08. The 3rd tier recruitment has taken place, and with consequent changes, the predicted savings will achieve the budget in 2007-08, as follows

Exhibit 10: Re-organisation savings 2007-08 (£)

Salary saving (gross)	-490,533
Carryforward from 2006-07 (Exec 19/4)	-128,500
Agreed 2007-08 virement (Exec 30/8)	-50,000
Total savings	-669,033
Costs (gross) to date	405,954
Saving (total) - predicted outturn	-263,079
Less saving already budgeted for:	250,000
Saving - predicted outturn in excess of budget	-13,079

- The second tranche of the Planning Delivery Grant was announced (July 24), taking the total to £230.969k, which is £81k over the budget of £150k. Proposals for the use of the surplus are that it should be set aside to cover the Concessionary Fares risk (see next point).
- There is a new large risk arising in respect of Concessionary Fares as a result of appeals by the operators. They were partially successful in an appeal for 2006-07 in two respects. Firstly, actual figures are to be used, instead of estimates, to finalise the 2006-07 payment. Secondly, they were awarded just under £20k, which might be reduced (or increased) in whole or part when the final calculation is completed.
For 2007-08, the operators have lodged a further appeal, which would fundamentally change the basis of payment; if it was agreed the full year cost would be £330k. There is every likelihood that the case will not be settled until the next financial year 2008-09. It could also be settled in the Council's favour. In the meanwhile, the Executive should set aside resources to cover the 2007-08 risk, in part, until there is better information. Should the contingent risk not arise, then funds could be released for other purposes.
- The Improvement items remain as at M3.
- The 2006-07 accounts are being audited, the results of which will be reported to the Final Accounts and Audit Committee of September 25th.
- The permanent S151 Officer, Stuart McGregor, commenced his duties with the Council on September 3rd, 2007.
- The work has commenced on the 2008-09 budget, with analysis of the cost and performance of services to help set the strategic direction of the budget work. The results will be reported to the Executive on August 30th, the Member Development Day on September 6th, the Budget Executive of September 20th, and the first meeting of the Budget & Strategic Planning Working Group on October 31st 2007.
- The Government have added another initiative to the eight listed at M3, ranging from Concessionary Fares to Incentives for Recycling, being changes to Business Rate from April 2008 – they are set out at Annex 6.

4.2 Quarterly items – all these items will be reported in the M6 monitor.

- Progress against Key Lines of Enquiry on Use of Resources
- Key Performance Indicators
- Benchmarking

- 3 year picture
- Trend analysis

4.3 Annex 4 includes an update on the improvements to the Revenue Budget Monitoring report. Eleven of the 20 items have been delivered. One further item has been partially delivered, but one has slipped.

5. Financial Implications

5.1 The effect on the Council's Reserves, if the under spend at Month 4 remains, is minimal.

Exhibit 11 - Table Analysis of movement in general reserves during the year **£000's**

General Fund Reserves at March 2007 (provisional)		4,031
2007-08 Budgeted reduction		0
Subtotal		4,031
This report changes - July 12 Executive – Spend to Save, Revenues		-100
Subtotal		3,931
This report – predicted outturn – under spend		97
Predicted General Fund Reserves at March 2008		4,028

- Minimum level of Reserves of £3.5m, agreed by the Council February 22nd 2007
- The Executive of March 15th agreed that reserves in “excess” of the minimal level should only be deployed on Spend to Save schemes. One scheme, for up to £100k, has been agreed.

5.2 The 2006-07 provisional outturn of the Collection Fund has produced a surplus of £1.517m, which would generate funding for 2008-09 of £162k for the Council. It is not in the forecast, for it is too early to count it in, for two reasons. Firstly, the figure is provisional and subject to audit. Secondly, the figure could be reduced if collection performance in 2007-08 is less than expected. The effect of Council Tax collection and property growth on the Collection Fund will be reported from M6 onwards.

5.3 Financial health.

- Virements – only one virement has taken place to date, the £50k transfer of funds from Planning to Redundancy costs.
- Reconciliation's. Annex 8 sets out the reconciliations which are required to control the Council's finances and financial records. The reconciliations are arranged into a hierarchy of three categories, as follows:-
 1. Daily - cash entering or leaving the Council
 2. Monthly - "Control Accounts" mainly debts due to or from the Council (Council Tax, NNDR, Benefits, Sundry Accounts Receivable).
 3. Regular or point of input – Mechanics shop recharges, Stores, and accountancy journals.

- 5.4 Training – Members received training on the generalities of local government finance on June 26th; further training, particular to NWDC will be part of the September initiatives. Staff training will commence in the autumn.
- 5.5 Links to Capital – there is a sister monitor which records the position on capital. The Unitary decision, shortens the Council's Capital Programme and the funding that is required. The plan was to borrow £15.37m to fund the three years 2007-10. Of this, £4m had been borrowed; the necessity to borrow the balance of £11.37m will be reviewed, with the high likelihood that it will not now take place.

6. Risk Analysis

- 6.1 When the budget was set by Council in February 2007, a revenue risk assessment was prepared and its impact was reflected in setting the level of Balances. A review by the S151 Officer for this report has highlighted eight risks that are set out at the two pages of Annex 3. At this stage of the budgetary cycle, none of the risks is critical enough for them to be in the outturn, although, consideration, in M4, has been given in the Recommendations to the risk with the maximum score, the Unitary decision.
- 6.2 Exhibit 2 also tracks risk, being the overall risk performance of the monitoring, month by month. It is suggested that having 50% of the measures at Red would be a cause for concern. The current level is just under 19%.

Annexes:	<ol style="list-style-type: none"> 1. Summary Monitoring Table May 2007 2. Main Budget Variances: May 2007 3. Risk Assessment for 2007-08 4. Budget Monitor Improvements 5. Budget changes – original, carryforwards and revised 6. Government initiatives, summer 2007 7. Headcount 8. Reconciliations 9. The Unitary response
Background Documents Used in the Preparation of this Report:	<ul style="list-style-type: none"> • Budget monitoring reports for Teams across the Council • Minutes of relevant Member meetings

Previous Decisions Connected with this Report

Report	Committee & Date	Minute Reference
Budget Proposals 2007-08	Council – February 22, 2007	
Revenue Monitor – Framework for Improvements	Executive - June 7, 2007	
Revenue Monitor 2007-08 – Month 2 May	Executive July 12, 2007	
Revenue Monitor 2007-08 – Month 3 June	Executive August 30, 2007	